



MOUNTAINS RECREATION & CONSERVATION AUTHORITY

Los Angeles River Center & Gardens
570 West Avenue Twenty-six, Suite 100
Los Angeles, California 90065
Phone (323) 221-8900

MEMORANDUM

TO: The Governing Board

FROM:  Joseph T. Edmiston, FAICP, Executive Officer

DATE: July 12, 2006

SUBJECT: **Agenda Item X: Consideration of resolution authorizing the borrowing of funds and the issuance of two promissory notes in the amounts of \$3,000,000 and \$1,000,000; and further authorizing the sale and purchase back of APN's 5571-025-903, 904, 5571-026-903, 904, 5571-027-902, 903, 5571-031-909, 910, 911, 912, 913, and certain related actions.**

Staff Recommendation: That the Governing Board authorize the borrowing of funds and the issuance of two promissory notes in the amounts of \$3,000,000 and \$1,000,000 and the sale and purchase back of APN's 5571-025-903, 904, 5571-026-903, 904, 5571-027-902, 903, 5571-031-909, 910, 911, 912, 913, and certain related actions.

Legislative Authority: Section 6500 et seq of the Government Code including the provisions of the Marks-Roos Local Bond pooling Act of 1985.

Background: In prior years the Mountains Recreation and Conservation Authority ("MRCA") has funded its construction projects from internally generated funds, advances from the Santa Monica Mountains Conservancy ("SMMC") and MRCA Fund Balance. Since the majority of the MRCA's construction projects are reimbursed by grants, this practice has at times stretched the MRCA's finances since grants are funded only upon completion of the grant project or upon completion of certain milestones. This prior practice of internally funding projects is of particular concern now that the SMMC no longer advances funds to the MRCA.

MRCA has explored the availability of interim financing from a variety of sources including both governmental and commercial banks. Given that MRCA activities are primarily funded from grants, which can change from year to year, possible lenders, such as conventional banks, have not been able to accommodate the MRCA's interim financing needs due to the unique structure of the MRCA, its revenue structure and its operations.

However, after further investigation and effort the MRCA was able to structure a

program and identify a lender. The MRCA has been able to negotiate a \$4 Million credit facility with Zions Bank. The credit facility had to be specifically structured and negotiated and while it will operate like a traditional credit line its structure also requires the issuance of securities and has both tax exempt and taxable features. Zions Bank, based in Utah, specializes in public finance and has previous experience with the MRCA having financed the Series 2002 Assessment Notes.

The Credit Facility will generally operate as follows:

\$3 Million Revolving Credit Line for Grants

Until the date that is 3 years after the date of the revolving credit agreement, the MRCA will be able to draw funds from credit facility to fund up to \$3 Million in interim financing for grant fund projects. The term of repayment, following a draw against a grant, will be up to three years with the credit facility having an initial seven year term. The grant will be pledged and applied when received to the repayment. The interest paid will tax exempt at 65% of the Prime Rate. Interest will be paid semi annually and principal payable upon business 5 days notice. Amounts repaid may be re-borrowed.

\$1 Million Credit Line for Operating Costs

The MRCA will be able to draw funds from the credit facility to fund up to \$1 Million in operating shortfalls during each fiscal year. There will be requirement that this line be repaid each year and that funds not be used for capital projects. The credit facility will have a term of four years. The interest paid does not qualify as tax exempt and the rate will be 90% of the Prime Rate. Interest will be paid semi annually and principal payable upon 5 business days notice. Amounts repaid may be re-borrowed.

Credit Facility Structure Bank Security and Pledged Collateral

MRCA to sell the above referenced properties (known as the Trebek Donation Property) to MRCA Financing Corporation pursuant to a Purchase Agreement. MRCA Financing Corporation will provide two Notes (one in the amount of \$1 Million for the Operating Line and one in the amount of \$3 Million for the Grant Line) secured by Deed of Trust encumbering the Trebek Donation Property to MRCA as payment for the Trebek Donation Property. MRCA Financing Corporation will then sell back Trebek Donation Property to MRCA. The MRCA Financing Corporation Notes and Deed of Trust will be collaterally assigned by the MRCA to Zions Bank such that in the event of default by MRCA, Zions Bank will be able to foreclose on

the Deed of Trust. The MRCA Notes are also secured by a general pledge of MRCA revenues, fund balance and grants to the extent they are funded. A default under either MRCA Note is a default on both.

Bank Fees and Other Closing Costs

The Bank will charge a one time origination fee of .5 % or \$20,000. There will be no annual standby fees or other credit fees charged, however, there are also one time legal, title and financial consulting costs related to structuring and documentation of this credit facility. The MRCA will be required to pay an annual paying Agent Fee of \$500.